

## MINUTES

### KANSAS ELECTRIC TRANSMISSION AUTHORITY

June 26, 2009  
Room 545-N—Statehouse

#### Members Present

Representative Carl Holmes, Chairperson  
Earnie Lehman, Vice-Chairperson  
Tim McKee, Secretary  
Senator Pat Apple  
Les Evans  
Representative Annie Kuether  
Senator Janis Lee

#### Staff Present

Mary Galligan, Kansas Legislative Research Department  
Cindy Lash, Kansas Legislative Research Department  
Rebecca Wempe, Stevens & Brand

#### Morning Session

Chairperson Holmes called the meeting to order at 10:05 a.m. He proposed adding “upcoming meetings” to the agenda. *Mr. McKee made, and Representative Kuether seconded, a motion to approve the agenda as amended. The motion passed.*

The Chairperson asked for approval of the minutes of May 11, 2009 and May 22, 2009. *Mr. Evans made, and Mr. McKee seconded, a motion to approve the minutes as submitted and corrected. The motion passed.*

The Chairperson recognized Mary Galligan, Kansas Legislative Research Department, who presented the April and May 2009 expenditure reports (Attachment 1).

The Chairperson next took up correspondence from Representative Tom Sloan inviting KETA to coordinate its planned multi-state meeting of transmission authorities with a regional transmission summit he is organizing. Representative Sloan reported that the transmission summit would not take place until October or November (Attachment 2).

The Chairperson recognized Bruce Rew and Katherine Prewitt of Southwest Power Pool (SPP), who were present by telephone to brief the Board on the new SPP process for Integrated Transmission Planning (ITP). The process grew out of the recommendations of the Synergistic Planning Project Team (SPPT), which proposed the following changes to transmission planning:

- Move from an annual update to a three-year cycle;
- Adopt a 20-year planning horizon with potentially a 40-year financial benefit calculation; and
- Focus on economic benefit and reliability as a single integrated benefit.

The SPPT also proposed a highway-byway cost allocation methodology. The term “highway” refers to higher voltage lines with region-wide benefits and costs spread throughout the region, while “byway” refers to lower voltage lines with more local benefits and costs assigned locally.

Ms. Prewitt described the current ITP process. SPP developed a strawman proposal, which generated feedback from stakeholders. A revised proposal will be released later today, with discussion scheduled for July 7. She anticipates a follow-up call every two weeks to receive comments and incorporate suggestions. The proposal should go to the SPP Board of Directors by October.

Ms. Prewitt addressed the list of priority projects submitted by staff and SPP stakeholders, which includes about 120 projects. SPP staff expects to have the list pared down by July 14. Detailed analysis will be performed on the streamlined list to identify the projects that will be recommended in October. In response to questions from KETA members, Ms. Prewitt and Mr. Rew made the following remarks:

- There has been no decision yet on the number of projects that will be recommended;
- The initial list of projects does not reflect any prioritization;
- There is duplication in the list, because some proposed projects represent only a slight variation from other projects;
- If a line, or portion of a line, is proposed at both 345 kV and 765 kV, SPP will consider the 765 kV proposal first;
- SPP has developed metrics for evaluating projects, but is still defining exactly what some metrics mean and how they will be applied;
- The goal for July 14 is to shorten the list by removing duplicative projects, while maintaining projects identified by the SPPT;
- Environmental impact will be one of the factors considered in determining the value of all costs associated with new generation; and
- SPP staff will verify whether the Woodward-Hitchland line has been approved at 765 kV as indicated on the list (Attachment 3).

The Chairperson returned to discussion of correspondence regarding pairing KETA's multi-

state transmission authorities meeting with the transmission summit planned by Representative Sloan. Mr. McKee will poll the other authorities for potential meeting dates. It would need to be a two-day meeting; one day for the authorities, one day for the summit.

The Chairperson referenced correspondence from the Kansas Energy Office inviting him to represent KETA on a transmission panel at the Renewable Energy Conference in the fall. Members agreed KETA should participate, but will need to update its powerpoint to reflect current efforts. Mr. Lehman suggested it is time for KETA to review and update the business plan, the outcome of which should provide much of the new material for the powerpoint. The Chairperson appointed a subcommittee of Mr. Lehman, Mr. Evans, and himself to work on the business plan. Staff will notify the Kansas Energy Office that KETA will participate on the panel (Attachment 4).

The Chairperson recognized Rebecca Wempe, Stevens & Brand, who summarized a proposed contract amendment that would provide a one-year renewal of the contract for legal and management services between KETA and Stevens & Brand. The rates for services (\$165 per hour for a partner, \$145 per hour for an associate) would not be increased under the proposal. Mr. Evans expressed his satisfaction with the legal services being provided. *Mr. Lehman made, and Mr. McKee seconded, a motion to approve the amendment to the contract for legal services. The motion passed (Attachment 5).*

Rebecca Wempe, Stevens & Brand, reviewed the KETA bylaws. Members discussed provisions related to meetings. Chairperson Holmes asked Senator Apple to work with Ms. Wempe to draft language clarifying that the content of an emergency meeting should be limited to the item(s) constituting the emergency (Attachment 6).

Mr. Lehman will attend the SPP Regional State Committee and Board of Directors meetings in Kansas City on July 27-28, 2009 on behalf of KETA. Mr. Evans will attend the SPP meeting on Priority Projects on July 14 in Kansas City.

The Chairperson asked for a motion to go into executive session to receive a briefing on the ITC/Prairie Wind docket from the Board's attorney, Rebecca Wempe. *Senator Lee made, and Mr. McKee seconded, the motion set out below. The motion passed.*

*Mr. Chairman, I move to recess the meeting until 12:00 noon for an executive meeting as authorized by subsection (b)(2) of KSA 75-4319, to consult with the Authority's attorney, Rebecca Wempe, regarding the ITC/Prairie Wind dockets on matters which are privileged in the attorney-client relationship. In addition to Board members, the executive meeting requires the attendance of Rebecca Wempe, Stevens & Brand, L.L.P.; and Mary Galligan and Cindy Lash, Kansas Legislative Research Department. The meeting will resume in 545-N.*

The Board returned to open session and recessed for lunch. The meeting resumed at 1:30 p.m.

## **Afternoon Session**

### **Updates on Transmission Projects**

The Chairperson recognized Tom Stuchlik, Westar Energy, who provided an update on transmission projects. Regarding the Reno to Summit 345 kV line, the Salina to West McPherson

portion should be complete near the end of 2009, and West McPherson to Reno should be complete in June 2010. Regarding the Rose Hill to Sooner line, Westar currently is acquiring right-of-way, and will complete design work by the end of 2009. Westar anticipates some condemnation proceedings, particularly around Rose Hill. The line should be fully complete (both the Kansas and Oklahoma segments) sometime in 2011. Mr. Stuchlik described a number of other transmission projects on which Westar is working. For the next five to ten years, the company will be upgrading and replacing existing lines. One potential new line being reviewed by SPP is a 345 kV or 765 kV line from Wolf Creek to Emporia. In addition, Westar is putting in several new lines to serve the pumping stations on the TransCanada pipeline. Two new pumping stations should be completed yet this year, one near Seneca and one north of Atchison, which will require several miles of 115 kV line. There also will be two large pumping stations going in, one near Winfield and one near Hope (Dickinson Co.), which will require a significant amount of 138 kV line and substations. In addition, Westar will build a new interconnect with Nebraska as part of the TransCanada project.

The Chairperson recognized Carl Huslig, ITC, for an update on the Spearville to Axtell line. Regarding Phase 1 of the line (Spearville to Knoll) he reported that:

- ITC will hold an additional public hearing on July 1 because it failed to provide notice to 18 potentially affected landowners;
- The KCC staff report concluded Phase 1 of the line is necessary, the route as modified by ITC is reasonable, and a siting permit is recommended. Responsive comments are due by July 8;
- ITC proposed a 150-foot right-of-way because SPP determined the line will be 345 kV. ITC will purchase a 250-foot right-of-way if the KCC directs it to do so;
- The ITC-modified route includes two re-routes proposed by landowners. All proposed re-routes were considered; and
- Statutory notice requirements are excessive for routes that really are not viable.

Regarding Phase 2 (Knoll to Axtell), the Notice to Construct shows an end date of 2013. This is one year later than originally proposed, in order to coordinate with Nebraska's timeframe. ITC expects to hold public meetings on the project during October - December 2009.

Copies of the Notices to Construct ([Attachment 7](#)) and Rebecca Wempe's summary of ITC's Initial Brief to the KCC ([Attachment 8](#)) were provided to the Board.

The Chairperson recognized Carl Huslig, ITC, and Kelly Harrison, Westar, for an update on the proposed Wichita to Spearville transmission line. They would like to see the line included in SPP's list of priority projects. SPP's new Integrated Transmission Plan (ITP) will be beneficial for major projects because it significantly extends the time period over which benefits can be calculated in determining a cost-benefit ratio. KETA could help by encouraging other states to allow a separate transmission delivery charge, by supporting additional benefit-cost studies for potential projects, and by attending SPP meetings and speaking up for Kansas projects.

The Chairperson recognized Noman Williams, Sunflower Electric Power Corporation, for an update on proposed transmission lines from Holcomb Station to Colorado. Tri-State has rights to the first unit to be built at Holcomb, up to 695 megawatts (MW). Tri-State's power would be transmitted to Colorado (at Lamar and Burlington), most likely by a 500 kV line. A direct current (DC)

tie of at least 200 MW would be needed to synchronize to the Western Interconnection. In response to questions from the Board, Mr. Williams said Sunflower hopes to have a permit for the plant in six months. They would like the transmission line and the new plant to be completed at about the same time (estimates for plant construction are 48-54 months). If the new plant is not built, the transmission line to Colorado will probably be a 345 kV line, if it is built at all. The cost of building a DC tie to Colorado is very high, estimated at a minimum of \$300/kilowatt.

## **Briefings on Transmission Needs**

The Chairperson recognized Larry Holloway, Kansas Power Pool, who briefed the Board on KPP's transmission needs. Many small cities are limited by lower-voltage transmission, causing them to rely on inefficient local generation to support their load. SPP's efforts often are directed at higher-voltage projects that have regional benefit. KETA could help by focusing efforts on lower-voltage projects, assisting utilities to upgrade lower-voltage lines to create more economic dispatch of local generation facilities (Attachment 9).

The Chairperson recognized Noman Williams, Sunflower Electric, who discussed transmission needed for wind development. Currently, Sunflower (including Mid-Kansas) has 605 MW of nameplate wind connected to its transmission system, and approximately 750 MW of wind projects with signed interconnection agreements to connect to its system. Sunflower's peak load is 1,100 MW, and the company's installed generation base is about 1,250 MW. The nameplate wind is quickly approaching the size of its system. Most of the time the system does not generate for peak load. During the shoulder months (September, October, November, and the spring months) the load drops by half. This means regulation of the load will become a bigger issue for the company. In addition, there are 30 projects representing 7,700 MW of wind in the queue at SPP. The concern is that there is no available transmission to move the wind. Also, many large proposed projects are in areas served by 115 kV line, which is sized to the current load. Either the lines must be upgraded, or a new collector system must be built over the top of existing lines. Large projects in northwest Kansas and in the southwest corner of the state are of significant concern because of the long distance transmission lines would have to run to connect to the east. Because wind is treated in the marketplace as a "must take" resource, regardless of whether it is economical, local utilities may be left with higher costs, which ultimately will be passed on to customers. Sunflower has notified the Federal Energy Regulatory Commission (FERC) of its concerns that wind generators who are willing to sell on the Energy Imbalance Market are not required to have transmission rights. Tom Stuchlik, Westar, commented that utilities that are balancing authorities have to back off their coal or gas generators when wind comes on line. However, they are allowed to recover costs. They can refuse to take the wind if it is too burdensome, but must have very good justification for the decision, such as showing that it would affect reliability.

Tom Stuchlik, Westar, addressed the utility's need for transmission in western Kansas. Westar has issued a Request for Proposals (RFP) for up to 500 MW of new wind. It is difficult to know what transmission capacity really is needed because there are so many interconnection requests that may or may not be realized. Many lines need to be upgraded to 345 kV. One problem it faces is how to keep voltage stable when wind generation comes on when there is not enough load to use it. Chairperson Holmes asked whether, if 200 MW of wind came on in western Kansas, could it get to Westar's load? Or will all the new wind the company is requesting have to come from areas along or east of Highway 81? Mr. Stuchlik replied that Westar might be able to import wind from western Kansas on a non-firm basis, but it is not likely it would get it on a firm basis.

Matt Gilhousen, Tradewind Energy, said the economic downturn dried up capital for new projects for wind developers. Although few projects are being built in 2009, federal incentives should

lead to major growth in 2010 and beyond. Tradewind developed the Smoky Hills windfarm, and has sites for several more in Kansas. The company's two sites in eastern Kansas, Deer Creek, and Caney River, were selected for their proximity to transmission lines. They also have two sites in western Kansas which have much better wind resources, but no transmission. Near-term projects will need to be sited near existing transmission, which means some projects will be built in eastern Kansas. Tradewind is not looking for additional sites in eastern Kansas, but is working in Missouri and Oklahoma. Demand for exportable wind is coming—utilities in the eastern and southern part of the country have issued RFPs for large amounts of wind energy. Democratic access to high-voltage transmission lines is key (Attachment 10).

Mark Lawlor, Horizon Wind Energy, described the company's projects in Kansas and other states. The proposed scenario for the United States to achieve 20 percent of its energy from wind by 2030 would require 300,000 MW of installed wind by that date. Currently the country has about 28,000 MW installed. Horizon would like to see Kansas be part of the solution. Currently, Kansas has 1,021 MW of installed wind. To achieve 20 percent wind in Kansas would require only about 2,300 MW, but Kansas has the potential to generate more than 10,000 MW of wind, providing much for export. Estimates from FERC on the cost of new generation show wind at about \$2,000/kW, far less than most other sources and competitive with coal. Mr. Lawlor provided estimates of the economic benefits to the state from significantly increased wind production. To harvest increased wind, Kansas needs wind farms, collector lines, distribution lines, and markets. KETA could help most in the development of wind collector systems. Historically, wind development has chased transmission. A more useful approach would be to proactively identify the areas of best wind and develop transmission hubs there. KETA might be interested in sponsoring studies to identify feasible areas. Representative Kuether asked for more information about the hub and spoke approach. The information should be sent to Mary Galligan, who will distribute it to all members. In response to questions about how the development of offshore wind farms to serve the East Coast could limit demand for exported Kansas wind, Mr. Lawlor noted that offshore wind is very expensive and difficult to develop, while Kansas wind is reasonable in cost, but lacks transmission (Attachment 11).

Jaime McAlpine, Chermac Energy Corporation, discussed wind project development and transmission needs. Chermac is a small independent wind developer which has developed 234 MW in projects in Harper County, Oklahoma, and has 3,700 MW of wind in development in Oklahoma, Kansas, Texas, and New Mexico. Two of the company's projects are specifically affected by what goes on in Kansas: its 405 MW Garden City project (actually in Kearney County) and its 765 MW North Buffalo project in Oklahoma, just south of Comanche and Clark counties, which is likely to be the largest wind farm in Oklahoma when it is completed. Mr. McAlpine shared observations, including the following:

- Kansas, Oklahoma, and others can be major power exporters. He believes the power is more likely to move east than west;
- Wind will never move out of western Kansas in significant amounts until the V-Plan is built;
- Historically, about 40 percent of the projects in the SPP queue actually sign interconnection agreements. With the changes SPP is making that will increase financial requirements, he anticipates only about 20 percent of the projects will actually sign agreements;
- SPP considers wind a price taker in the Energy Imbalance Market—operators will take the price that is available for them to sell the power, or they will shut it down. SPP will take the least cost-effective units offline to put in wind;

- He thinks 345 kV will become the collector systems, will have postage-stamp cost recovery, and will have a set, fair price for transmission;
- Comanche, Clark, and Meade counties are substantial wind resources for Kansas and they need an opportunity for an interconnection point, as well as a 345 kV collection system; and
- Placing the Comanche substation on the Kansas-Oklahoma line is beneficial for Kansas and for Harper County, Oklahoma, which means Oklahoma would share in the costs of the substation. He provided a map showing the location proposed by Chermac (Attachment 12).

The date of the next meeting, a conference call, was set for July 29 at 10:00 a.m.

The meeting was adjourned at 5:20 p.m.

Respectfully Submitted,

Tim McKee, Secretary

Approved by the Board on:

July 29, 2009

(Date)